
Position and Guidance Regarding FCC Rulemaking: UNE Access NPRM

Michigan-Based CLEC Coalition

October 12, 2004

Who We Are

The Michigan-Based CLEC Coalition (MBCC) is comprised of 10 small entrepreneurial telecommunications providers

- q Hillsdale Policy Group – Economic review and assessment by experienced economist in telecommunications and public utility industries
- q Loomis Law – Legal review and assessment by experienced attorneys in telecommunications and public utility industries

Why We Are Here

Review comments submitted in FCC's solicitation to its proposed rule making on the access to Unbundled Network Elements

Provide insight and guidance as to the economic and operational effects on small entity telecommunications providers

Foundations

Law of Interdependence.

- q Telecommunication requires a set of interdependent elements in order to provide a service.
- q Remove any one, and the system fails
- q Anyone element on its own is useless
- q The telecommunication market is truncated or eliminated without a holistic set of products and geographic reach

Foundations

Bottleneck:

- q RBOCs have control over a critical public good – the telephony infrastructure
- q Monopoly control over a scarce resource does not promote competition or efficiency
- q Government stewardship is required until free-market conditions emerge

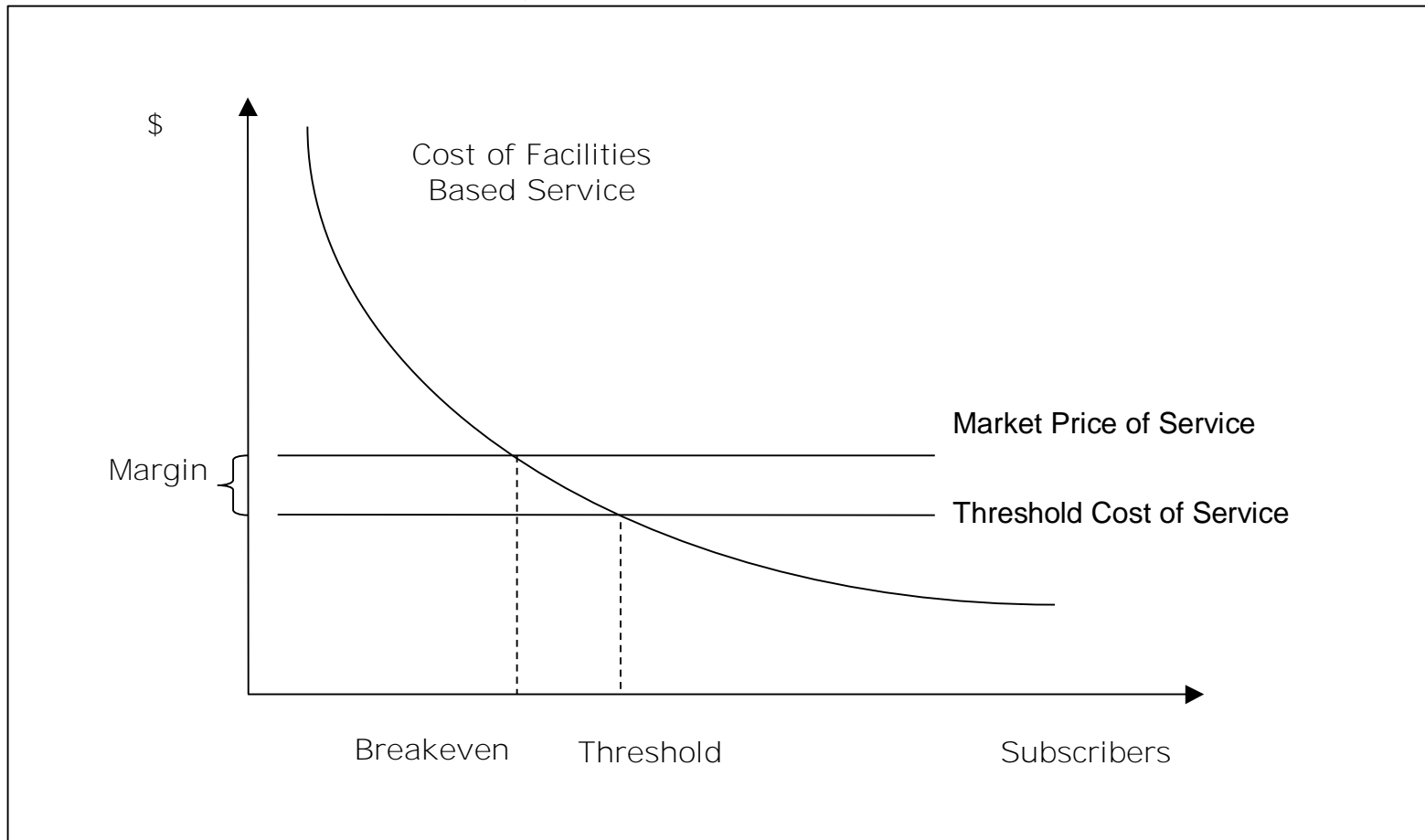
Foundations

Impairment: Chicken or the Egg

- q Economic
- q Operational
- q Market
- q Logical
- q Transitional

Foundations

Economic Utility



Solutions to Impairment

Empirical Cost Study

Gross Cost Comparison UNE-P to UNE-L: SBC-Michigan

Sep-04

	UNE-P	UNE-L	Retail	SBC-Promo
Loop	\$8.73	\$8.73		
Interoffice Transport	\$4.96	\$6.65		
Switching	\$5.25	\$10.07		
Total	\$18.94	\$25.45	\$29.95	7.95

Solutions to Impairment

Facility Thresholds

- q Exempt from its duty of providing switching when line density in any LATA for a given CLEC exceeds 10,000
- q Exempt from its duty to provide UNE-P or EEL circuits if the line count in a given CO for a given CLEC equals 1,000 and the LATA aggregate is met.

Solutions to Impairment

Wholesale Threshold

- q Relieved of EEL and UNE-P duties if 2 wholesale (non-RBOC) providers exist in a given CO, providing the same functionality
- q Relieved of Interoffice Transport duties if 2 wholesale (non-RBOC) providers exist between at two COs, providing the same functionality

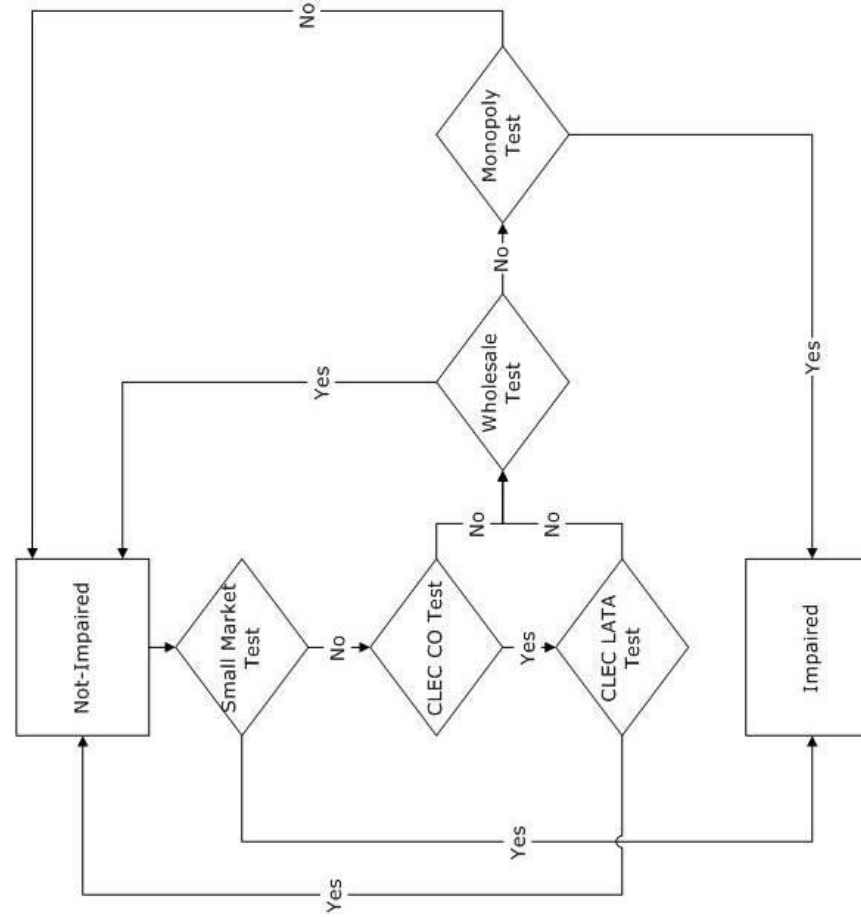
Solutions to Impairment

Dominate Provider

- q Relieved of EEL and UNE-P duties if RBOC controls less than 60% of the lines in a wire center
- q Supported by FCC in 1995 regarding AT&T market share declined below 60% of the long distance market
- q ILEC Override. RBOC submits evidence to state commission, makes recommended findings and transmits cases to the FCC for final determination

Threshold Test Logic

Shall the RBOC be Required to Provide UNE-P Services at a Given CO?



- Assumption: CLEC may or may not have switching capability in given LATA
- Small CO Test: Low Population Density or Low Number of Lines @ CO
- CO Test: Does CLEC serve more than 1,000 DSO's @ CO?
- LATA Test: Does CLEC serve more than 10,000 DSO's in a given LATA?
- Wholesale Test: Are there at least 2 wholesale alternatives providing similar service?
- Monopoly Test: Does the RBOC have more than 60% of the retail DSO's @ CO?

Issues

Transitions

- q When threshold condition reached, affected CLECs would have 12 months to transition
- q Threshold condition ceases to be met for 12 consecutive months, UNEs reinstated
- q ILEC to file periodic reports as to line-threshold triggers

Issues

UNE-L

- q Duty to provide access to DS0, DS1, and DS3 loops
- q Duty to provide access to full functionality of existing metallic, fiber and hybrid loops
- q Duty to allow consumers to select voice service from CLEC and DSL service from RBOC on the same line.
- q Line sharing by dividing loop cost equally

Issues

Pricing

- q State-established TELRIC pricing for UNEs
- q Predatory Pricing. Allow CLEC to buy for resale any service at the lowest price charged to an RBOC customer less avoided costs.

Counter Points

The MBCC's proposal will:

- q withstand Federal Court Scrutiny
- q is consistent with the FCC's most recent definition of impairment
- q addresses Chairman Powell's concern regarding a transition to facility based competition
- q advances the goals of the Federal Act

Conclusion

The FTA provides CLECs with clear rights to which we have relied and performed in good faith

The FCC must discharge its duty to enforce these rights and in doing so usher in the benefits thereof

The proposed solution of thresholds is workable, sensible, sustainable, and structured

Small Businesses are economic growth generators and a critical source of innovation.

Small CLECs face unique challenges and deserve extra attention and resolve to be afforded the propagation of their benefits
